

Message Text

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PAGE 01 LONDON 06532 251752Z
ACTION EUR-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 CIAE-00
DODE-00 INR-10 NSAE-00 PA-02 EA-12 AID-05 COME-00
EB-08 FRB-01 TRSE-00 XMB-04 OPIC-06 LAB-04 SIL-01
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5518
INFO USICA WASHDC

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PLEASE PASS WHITE HOUSE: ALSO FOR AMBASSADOR HENRY
OWEN; USICA FOR EU; PGM/RC

E.O. 11652: N/A
TAGS: ETEL
SUBJECT: CALLAGHAN-SCHMIDT COMMENTS ON DOLLAR AND
ENERGY BILL

FOLLOWING ARE REMARKS ON EXCHANGE RATES, DOLLAR,
AND U. S. ENERGY BILL FROM INFORMAL TRANSCRIPT
PRIME MINISTER CALLAGHAN AND CHANCELLOR SCHMIDT PRIME
TIME BBC-1 TELEVISION SHOW "PANORAMA" ORIGINATED FROM
CHECQUERS AND BROADCAST APRIL 24.

BEGIN SECTION TRANSCRIPT:
QUESTION: WITHIN YOUR PACKAGE, OF WHICH CURRENCY IS
ONE ITEM, THERE IS STILL THE QUESTION OF WHETHER IT
IS BEST TO PROCEED ON A EUROPEAN SCALE OR ON A WIDER
WORLD SCALE. NOW DO YOU SEE ANY DANGER IN THE SORT
OF THING THAT CHANCELLOR SCHMIDT IS PROPOSING THAT THIS
COULD LEAD TO A EUROPEAN CURRENCY ZONE WHICH WOULD
BE IN SOME DEGREE INIMICAL TO THE UNITED STATES.

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PRIME MINISTER: I WOULD WANT TO EXAMINE IT VERY
CAREFULLY, BUT EVERYTHING THAT CHANCELLOR SCHMIDT
HAS SAID TO ME, AND I KNOW YOU WON'T MIND ME REPEATING
THIS, EVERYTHING HE HAS SAID TO ME IS ALONG THE LINE
THAT IT WOULD NOT BE IN OPPOSITION TO THE UNITED
STATES. THAT ANY ARRANGEMENTS THAT WE MIGHT MAKE,
IF INDEED IT IS POSSIBLE TO MAKE ANY, SHOULD BE SUCH

AS WOULD HELP THE UNITED STATES AND BE DONE IN COOPERATION WITH THE UNITED STATES, AND NOT AGAINST THEM, BUT I THINK THE CHANCELLOR HIMSELF PROBABLY WOULD COMMENT ON THAT.

CHANCELLOR SCHMIDT: NO, IT IS EXACTLY WHAT I WAS GOING TO SAY, JIM, THE VOLATILITY OF EXCHANGE RATES OF THE DOLLAR AGAINST INDIVIDUAL EUROPEAN-JAPANESE CURRENCIES WOULD AUTOMATICALLY BE REDUCED IF YOU CANNOT SPECULATE AGAINST THE DOLLAR AND INTO ONE SINGLE CURRENCY, THAT YOU HAVE TO DEAL THEN WITH A GROUP OF CURRENCIES. I THINK THE MOST IMPORTANT THING IS TO STABILIZE THE DOLLAR AND NOT SO MUCH TO STABILIZE OUR INDIVIDUAL CURRENCIES, SO THE DOLLAR IS REALLY THE CENTER OF MY THINKING AND OF COURSE IT CAN ONLY BE DONE IN COOPERATION BETWEEN THE UNITED STATES AND OTHERS, INCLUDING THE JAPANESE AND WE ARE CERTAINLY NOT WEAVING A BOND BETWEEN THE AMERICANS, CANADIANS, JAPANESE AND A FEW EUROPEANS IN ORDER TO BRING ABOUT A NEW EUROPEAN MONETARY SYSTEM. WHAT WE WANT TO DEAL WITH AND DEVOTE OUR EFFORTS TOWARDS IS WORLD-WIDE MONETARY STABILITY.

QUESTION: WOULD YOU SAY THAT IN ORDER TO DO THAT WE'VE GOT TO DRASTICALLY REDUCE THE AMERICAN DEFICIT, BECAUSE IF THAT IS WHAT YOU'RE SAYING AND I UNDERSTAND THAT IT UNCLASSIFIED

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IS, IS THAT NOT CUTTING ACROSS TO SOME EXTENT THE PRIME MINISTER'S DESIRE TO REDUCE UNEMPLOYMENT, BECAUSE THE AMERICAN DEFICIT IS IN FACT ONE OF THE ENGINES OF EXPANSION THAT HAS BEEN KEEPING US GOING?

PRIME MINISTER: I DON'T SEE IT THAT WAY. AND IT HASN'T BEEN DISCUSSED THAT WAY. WE HAVE CERTAINLY DISCUSSED NOTHING IN WHICH ANY OF US WANT TO REDUCE THE AMERICAN LEVEL OF GROWTH. WHAT WE WANT TO DO IS TO ENSURE THAT THE DOLLAR IS MORE STABLE. THIS I THINK -- AND THE DEFICIT IS REDUCED, CERTAINLY, -- AND THIS CAN BE PARTIALLY ACHIEVED THROUGH THE ENERGY PROGRAM. THAT IN ITSELF WILL NOT ONLY CUT INTO THE DEFICIT BUT IT WILL ALSO CREATE ADDITIONAL CONFIDENCE ELSEWHERE, AND BOTH OF THESE THINGS ARE ESSENTIAL IN MY VIEW IF THERE IS TO BE MORE GROWTH. END SECTION TRANSCRIPT. BREWSTER

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